

Message Text

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ACTION EA-06

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 EB-03 L-01 INR-05

CIAE-00 TRSE-00 OMB-01 SP-02 H-01 /039 W

----- 012748

R 050423Z AUG 76

FM USLO PEKING

TO SECSTATE WASHDC 6133

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1510

LIMDIS

E.O. 11652: GDS

TAGS: ETRD CH US PFOR

SUBJECT: SINO-US ECONOMIC RELATIONS

REF: PEKING 1490; PEKING 1020

1. FOLLOWING DEPARTURE OF CHRISTOPHER PHILLIPS AUGUST 2, LI CHUAN, VICE CHAIRMAN OF CCPIT, HAD A SHORT TALK WITH E/C COUNSELOR, WHICH WAS UNUSUAL IN THAT NO OTHER CHINESE WERE PRESENT.

2. E/C COUNSELOR TOLD LI THAT IT WAS CLEAR THAT SINO-US TRADE, PARTICULARLY U.S. EXPORTS, WOULD BE DOWN SHARPLY THIS YEAR, SINCE TRADE FOR THE FIRST HALF OF 1976 BARELY EXCEEDED US\$200 MILLION AND KELLOGG EXPORTS HAD BEEN COMPLETED. LI SAID THAT THE GENERAL TREND OF RELATIONS BETWEEN THE U.S. AND CHINA WAS IMPROVING, AND IT WAS CLEAR THAT TRADE WAS INCLUDED IN THIS TREND. THE CURRENT DECLINE IN TRADE WAS, HISTORICALLY SPEAKING, ONLY A SHORT AND TEMPORARY SET-BACK IN THE LARGER TREND OF IMPROVEMENT IN ALL KINDS OF RELATIONS BETWEEN THE CHINESE AND AMERICAN PEOPLES. ONCE DIPLOMATIC RELATIONS WERE ESTABLISHED, LI SAID, TRADE WOULD INCREASE, AS WOULD EXCHANGES OF ALL KINDS, SUCH AS DELEGATIONS AND EXHIBITIONS. LI SAID THAT HE FELT SURE THAT THE PRESENT DECLINE IN TRADE WOULD SOON BE REVERSED.

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3. COMMENT: LI AND OTHER ECONOMIC OFFICIALS OF THE PRC HAVE PREVIOUSLY TAKEN THE POSITION THAT REDUCED SINO-US TRADE IS ONLY A TEMPORARY PHENOMENON CAUSED BY ECONOMIC FACTORS, AS IN MINISTER OF FOREIGN TRADE LI CHIANG'S STATEMENT OF JUNE 8 TO AMBASSADOR GATES. US EXPORTS WERE RELATED MORE NEGATIVELY TO NORMALIZATION RECENTLY BY VICE FOREIGN MINISTER WANG HAI-JUNG, WHO COMMENTED TO A CONGRESSIONAL STAFF DELEGATION THAT "REGARDING TRADE BETWEEN OUR TWO COUNTRIES WHEN OUR RELATIONS ARE STILL NOT NORMALIZED, JUDGING FROM THE GENERAL SITUATION, IT IS IMPOSSIBLE THAT THERE CAN BE AN INCREASE IN TRADE."
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 05 AUG 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PEKING01510
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760301-0740
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760883/aaaacvmd.tel
Line Count: 73
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 76 PEKING 1490, 76 PEKING 1020
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2004 by ShawDG>; APPROVED <17 SEP 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SINO-US ECONOMIC RELATIONS
TAGS: ETRD, PFOR, CH, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006